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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

KRISTIN K. MAYES, CHAIRMAN
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

2010 JAN 15 PM 4: 56

ARIZONA CORPORATION COMMISSION
BUDGET CONTROL

**IN THE MATTER OF THE
APPLICATION OF SONOITA VALLEY
WATER COMPANY FOR A RATE
INCREASE**

and

**IN THE MATTER OF THE
APPLICATION OF SONOITA VALLEY
WATER COMPANY FOR
AUTHORITY TO INCUR DEBT TO
FINANCE WATER SYSTEM
IMPROVEMENTS**

Docket No. W-20435A-09-0296
W-20435A-09-0298

**NOTICE OF FILING OF EXHIBITS
AND IDENTIFICATION OF
WITNESSES**

Arizona Corporation Commission
DOCKETED

JAN 15 2010

DOCKETED BY

MM

Sonoita Valley Water Company ("Company") hereby files documentation identifying issues to be addressed at the hearing set for January 22, 2010, as well as a list of witnesses who may be called and exhibits that may be used by the Company at the hearing.

Issues Table

Pursuant to the discussions that occurred during the Procedural Conference held on December 18, 2009, attorneys representing the Arizona Corporation Commission staff and the Company have identified issues that may be addressed at the hearing. For the Court's convenience, this document is set forth in Attachment A. The Company is

1 making this filing without prejudicing the rights of any party to address issues not
2 identified herein and understands that Staff has preserved its right to address additional
3 issues during the hearing.
4

5 **Witnesses and Exhibits**

6 The Company hereby gives notice that it will rely only upon documents already
7 filed in this matter. These documents include, but are not limited to:
8

- 9 • Rate Application dated June 4, 2009;
- 10 • Finance Application dated June 4, 2009;
- 11 • Amendments to Rate and Finance Applications dated November 5, 2009;
- 12 • Notice of Revised Opinion of Probable Costs dated November 10, 2009;
- 13 • Staff Report dated December 1, 2009;
- 14 • Response to Staff Report dated December 11, 2009; and
- 15 • Revised Opinion of Probable Cost filed November 10, 2009.

16 The Company reserves the right to rely upon exhibits presented by Staff or Intervenors,
17 as well as offer exhibits outside the record in rebuttal if deemed necessary.

18 The Company will call the following two witnesses:

- 19 • Bonnie O'Connor, President of Southwestern Utility Management, Inc.,
20 and acting manager of the Company. Ms. O'Connor will testify about
21 Company operations, management, the proposed improvements,
22 consultation with Staff, and related issues.
- 23 • Sonn Rowell, a Certified Public Accountant, and managing member of
24 Desert Mountain Analytical Services PLLC. Mrs. Rowell will testify about
25 the Company's finances and proposed rates.


26 During rebuttal, the Company may call the following witnesses:

- 27 • Eddie Morales, Operation Manager and VP, Southwestern Utility
28 Management, Inc. Mr. Morales can testify about Company operations,
management, the proposed improvements, consultation with Staff, and
related issues.

- Keith Dojaquez, Assistant Operation Manager, Certified Operator, Southwestern Utility Management, Inc. Mr. Dojaquez can testify about Company operations, management, the proposed improvements, consultation with Staff, and related issues.
- Ezra "Buck" Lewis, owner of the Company and certified engineer in the State of Arizona. Mr. Lewis can testify about the Company operations, management, financing, and related issues.

RESPECTFULLY SUBMITTED this 15th day of January, 2010.

MOYES SELLERS & SIMS LTD.



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Original and 15 copies filed this
15th day of January, 2010, with:

Docket Control
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Copy of the foregoing mailed this
15th day of January, 2010 to:

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ATTACHMENT A

Issues Table

Issue	Company Position	Staff Position
Need for New Well	Decision should not preclude if engineer says it is needed	No new well is needed. Staff relied on engineer report dated Sept 4, 2009 provided by company.
Interconnection of Sonoita and Southern Los Encinos		
1. Used and Useful	Yes. It is the only backup well for the Los Encinos system and used 3 times during test year.	No. It is not possible to pump water from Sonoita to Los Encinos. Staff replied representations made by Company staff.
2. Adjustment removing cost of interconnect	No adjustment should be made because interconnect is used and useful.	Adjustment should be made because interconnect is not used and useful.
3. Adjustment removing accumulated depreciation	No adjustment should be made because interconnect is used and useful.	Adjustment should be made because interconnect is not used and useful.
4. Adjustment for management fees relating to interconnect	Cost reclassified to account 331 to capitalize costs.	Adjustment should be made because interconnect is not used and useful. Whether reclassified or not, the costs should be disallowed.
Rate Case Expense Adjustment	The rate case estimated cost of \$15,000 was amortized over a five-year recovery period is reasonable.	Staff agrees this is reasonable and this should no longer an issue.
Cost of Plant in Service	All plant additions since previous rate case is \$337,116 (\$71,117 increase was in amended figures).	Staff has updated its plant accumulated depreciation and depreciation expense and this should no longer be an issue.
Loan & Construction Deadlines		
1. Debt Authorization	Loan initiation deadline should be 18 months.	Any authorization to incur debt remaining unused 1 year after decision should terminate.
2. Draw on WIFA Funds	Authorization to incur debt and apply the loan surcharge should not terminate if the Company enters into a WIFA loan agreement within 18 months after decision.	WIFA loan surcharge mechanism should be rescinded if the Company has not drawn funds from the loan within 1 year of decision.
3. Approval of Construction	Company suggests that a deadline of December 31, 2013 because an AoC is granted after the improvement is built and the Company will not finish all of the improvements in 1 year.	Company should be ordered to file an AoC for each project improvement by December 31, 2010.
Rate Shock	The Company is sensitive to this issue and believes that the surcharge mechanism will lessen rate shock because rates will rise only as improvements are made.	Staff rate design uses a surcharge mechanism to help mitigate rate shock.

3/4" Tier Rates			
Bulk Water Rates	Should be detailed in Staff Report		
	Rate should be \$12.00 (Company does not oppose Staff's revision)		Staff has added lines for 3/4" tier and this should no longer be an issue. Staff's revised recommendation is \$13.02.